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S&MM

SALES & MARKETING MANAGEMENT

OCTOBER 6, 1980
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Inside Out

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Amweld's door to the future

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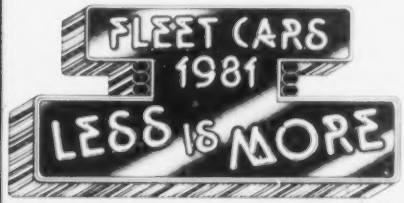
Selling, A to Z

We're *all* in selling, says author Frank Snider, and that includes such heroes as Francis Bacon, Abe Lincoln, and Ho Chi Minh. Page 36.



AN S&MM SPECIAL SECTION

For now, fuel-efficient cars are available, gas prices have levelled off, and interest rates are relatively stable. But will it last? Page 55.

Going it alone creates a new market

Because one-parent families are the fastest-growing type of household, marketers of consumer goods must devise strategies to reach them. Page 47.

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What's coming up

Survey II. To help marketers plan their budgets, the *Survey of Buying Power—Part II* offers an update on the demographic and economic characteristics of newspaper and TV markets. Included are all-important five-year projections of U.S. and Canadian metro markets. Oct 27.

An S&MM Special Section: Sales Meetings. The cost of getting together is higher than ever. As a result, marketers are taking a hard look at their meeting plans. Nov. 17.

An S&MM Special Report: Managing Selling Costs. Thirty-two pages of advice on the effective management of selling costs, including answers to such questions as, Should the sales force be reserved for calling on major accounts only? and, How much responsibility can be assumed by independent reps? Also: the role of the computer. Dec. 8.

S&MM's Annual Awards. The top performers in sales and marketing as named by our editors and our readers. Jan. 12.

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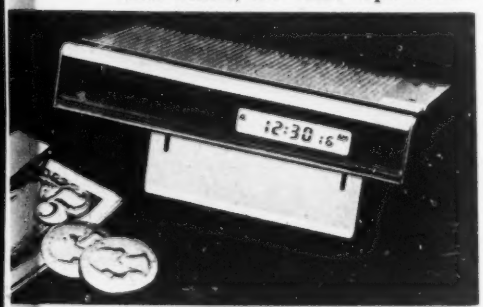
Allen Voyette, training and education manager, says that he can't yet tell how many of Syntex's 500-person force will participate. But, he says, "I think our salespeople view this as the best program they've ever received."

NEW PRODUCTS

The last word in appliances

Ready or not, talking appliances are here. For example, Sharp Electronics has a $90 clock-radio with a robot voice that says, "Good morning, it is 7 a.m." Ten minutes later, it will say, "Attention, it is now 7:10 a.m. Please hurry." the same voice will tell the time when one pushes a button or announce it at various intervals if properly programmed.

Panasonic was ready to unveil a similar product at $160 this month but pulled back for "retooling" when the cheaper Sharp model appeared. Panasonic, however, will introduce talking calculators and microwave ovens by year-end. The $700-plus Talking Genius microwave oven uses a microprocessor chip to activate a digital voice. As a user pushes buttons for, say, defrost, cook, and warm, the voice repeats all



Wake-up language used by Sharp's alarm clock is firm but polite.

S&MM BAROMETER

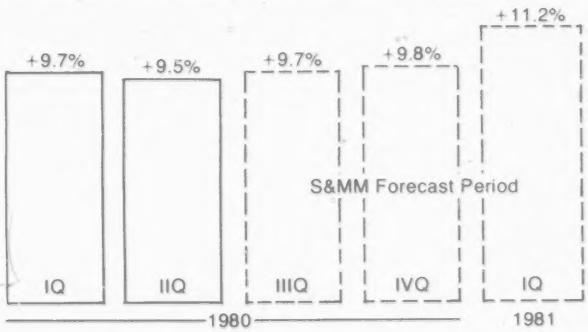
Selling costs: Back on the fast track

It was too good to last. S&MM projections show that basic field selling costs, which trailed the rise in the consumer price index (14.3%) during the first half, will accelerate in the second half and hit a double-digit rate by 1981's first quarter.

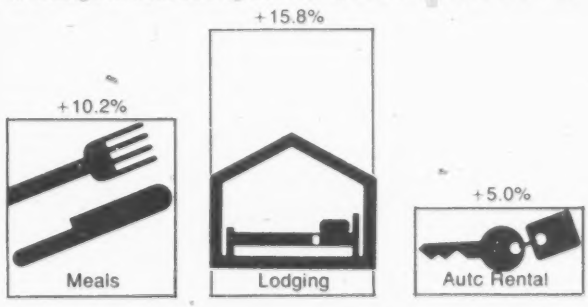
The prime causes of the upsurge are this summer's drought and the coming explosion in Social Security taxes. Washington Analysis Corp., a Bache Halsey Stuart Shields subsidiary, expects food prices to jump 17% in the second half of 1980 vs. 5% in the first. John Lesure, research director of Laventhol & Horwath, who develops financial data for the lodging industry, sees room rates up 12%–15% in the next several months despite a 6% drop in occupancy ratios.

Meal prices and room rates will be kicked higher early in 1981 when restaurants and hotels, like all businesses, are hit with a steep rise in Social Security taxes. These costs will quickly be passed on to the paying guests.

% change in field selling costs vs. year-ago period



% change in field selling cost components in 1980 first half



Sources: S&MM calculations, Bureau of Labor Statistics.
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three instructions before the cycle begins. Later, as the cooking phase winds down, the voice announces the number of minutes left, just like a rocket-launch countdown.

Will it sell? Richard W. Muehlenhard of Panasonic's home appliance division notes that microwave oven sales are up about 50% in a recession year and that deluxe models historically outsell cheaper ones. He predicts that the deluxe talkie will do well in the premium/incentive market because "the best selling items are those which people don't already have and which are in the greatest demand."

Next on the horizon: appliances that respond to voice commands. Toshiba America, for example, is fine-tuning prototype TV sets and stereos that will change channels or volume when the user talks to them. What keeps them from retail shelves is a failure-to-respond rate of 15% or so. But Toshiba promises to show improvements at the January Consumer Electronics Show in Las Vegas. One market ripe for the gadgets: the physically handicapped. S&MM

LIVING COSTS

Anchorage and Milwaukee get off easy

People living in San Diego and Los Angeles-Long Beach were buffeted by household costs that rose twice as fast as in Anchorage and Milwaukee, according to the Bureau of Labor Statistics' (BLS) annual updating of three hypothetical family budgets. A family of four living on what BLS calls an intermediate budget experienced increases of 13.4% and 12.1% in San Diego and Los Angeles-Long Beach, respectively, compared to increases of only 6.1% in Anchorage and 6.8% in Milwaukee. However, Anchorage's small rise brought modest comfort to residents inasmuch as their living costs are still the highest among the 25 markets BLS measured, topping the national average by 36%.

BLS actually measures three budgets: lower, intermediate, and higher. S&MM uses the intermediate group because it is most representative of urban households.

Sales managers take the budget estimates into consideration when comparing compensation levels of salespersons in

Metro area living costs

Metro Area	1979 Budget	% Increase 1978–79	Index U.S.=100
Urban U.S.	$20,517	+10.2%	100
Metro Areas	20,935	10.3	102
Nonmetro areas	18,651	9.6	91
Northeast			
Boston	24,381	10.2	119
Buffalo	21,606	11.7	106
New York	23,586	10.5	116
Philadelphia	21,436	10.4	104
Pittsburgh	19,890	10.5	97
Nonmetro areas	20,730	10.9	101
Midwest			
Chicago	20,564	9.4	100
Cincinnati	20,287	10.5	99
Cleveland	20,868	9.9	102
Detroit	20,821	8.8	101
Kansas City	19,618	7.4	96
Milwaukee	21,387	6.8	104
Minneapolis-St. Paul	21,426	10.5	104
St. Louis	19,963	11.5	97
Nonmetro areas	18,876	8.7	92
South			
Atlanta	18,821	11.4	92
Baltimore	20,316	8.6	99
Dallas	19,301	9.5	89
Houston	19,025	11.2	93
Washington, DC	22,206	10.5	108
Nonmetro areas	17,454	8.9	85
West			
Anchorage	27,933	6.1	136
Denver	20,468	10.3	100
Los Angeles-Long Beach	19,871	12.1	97
San Diego	20,088	13.4	98
San Francisco-Oakland	21,478	10.6	105
Seattle-Everett	20,719	11.0	101
Honolulu	25,799	11.7	126
Nonmetro areas	19,348	11.5	94

Note: Increase in family budgets will not be the same as increase in consumer price index (CPI) because: (1) the CPI does not include taxes, which are part of the family budgets; (2) different sets of weights are used, and (3) homeowner costs are treated differently.
Source: S&MM calculations, Bureau of Labor Statistics, *Autumn 1979 Urban Family Budgets and Comparative Indexes for Selected Urban Areas*, USDL: 80-78.
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different territories. For example, a sales rep shifted from Washington, DC, to Dallas would move from a metro area where living costs are 8% higher than the U.S. average to one where they're 11% under the norm. S&MM

FRANCHISING

No pit stops for Tune-Up Clinics

Unlike some others in the automotive aftermarket, Al Massey, president of Tune-Up Clinics, Atlanta, sees no sign of consumers saving money during the recession by not maintaining their cars. Instead, he says, "We find more and more people keeping their engines well-tuned to get better gas mileage." Massey claims that such consumers are attracted to Tune-Up Clinics, which began to franchise two years ago, by the following:

- Three prices (depending on engine size) for a complete tune-up that include all parts and labor. The highest: $40.95.
- Service time of 30–45 minutes. Customers are encouraged to watch mechanics, who explain all procedures.
- A six-month, 6,000-mile

Some Tune-Up Clinics have this snappy building design.

SPECIAL REPORT PREVIEW

Managing costs for more productive selling

So relentless is the upward spiral of selling costs (see S&MM Barometer, page 13), that the worst fears of sales and marketing executives are being realized. Thus, managing sales costs has emerged as a critical concern for marketers, and it's likely to remain so for most of the 1980s.

Is management making the best use of the direct sales force? Should the sales force be disbanded or reserved for calling on major accounts? How much responsibility can be assumed by independent reps, distributors, or telephone salespeople? Such questions are at the heart of the cost-control problem, and they will be explored in detail in a 32-page Special Report in the Dec. 8 issue of S&MM.

Computers to the rescue

This exclusive report will include case histories on what alert marketers are doing right now to stem the tide of rising costs. Companies that once prided themselves on selling only through their own field salespeople already are seeking alternatives. In some instances they're bringing their best people into the home office to do business over the phone. Greater use is being made of direct mail to back up the sales effort.

The computer plays an important role, too, making it possible to identify cost problems and analyze them. What's more, now that many district and regional sales offices have their own computers tied directly to headquarters, field salespeople have access to a wealth of information that enables them to be more productive.

The computer is also helpful to a new breed of executive placed strategically in many corporate hierarchies. He's called the marketing controller, and he recognizes marketers for one thing they are: cost-producers. Look out for that one.

a single United Airlines DC-10 in June (fee: $10 plus the phone toll from the nearest ground station). "It's exposed our name to over 100 million people," says Post happily. "We've gotten at least a half-million dollars worth of publicity."

What's more, Post says SkyTel is an ideal source of new prospects for beeper service. When a passenger makes a call, he fills out a form for billing, and PageAmerica just adds the name to its direct-mail list. Not bad for winging it.

COMPENSATION

Mixed bag for field managers

Pity the field sales executive who studies the results of three popular surveys to see how his compensation compares with his peers. Regional sales managers fared better than district managers, says the American Management Assns.' *Middle Management Report: 1980*. Regional sales chiefs with territories in the under-$5-million class last year increased their total compensation 11% to $29,000 while district managers with territories of less than $2 million raised theirs 5% to $23,600 (see table).

The same 2:1 ratio prevails for the largest territories. In the $40-million-or-more category, regional managers scored a 7% gain to $41,700, and their district counterparts with territories of $16 million or more had a 3% increase to $31,600.

In contrast, Dartnell Corp.'s *13th Biennial Survey of Executive Compensation*, released earlier this year, showed the opposite pattern. District managers in companies with sales under $5 million racked up a 35% gain in the 1977–79 period, lifting their total compensation to $23,000, while their regional bosses had to be content with a 13% rise to $27,000. In the $500-million-or-more category, both scored 23% gains, giving regional managers $43,000 in total compensation, district managers $32,000.

The third study, the Administrative Management Society's annual *Guide to Management Compensation: 1980*, shows the sales manager (mostly district and regional) posting a 4% gain in 1979 to $28,000. This survey, which covers base salary only, indicates that income ranged from $24,300 in the South to $30,000 in the West.

A sample from the AMA study

	Total Compensation 1979	% Gain 1978–79	Bonus As % Of 1979 Compensation	Total Compensation 1979	% Gain 1978–79	Bonus As % Of 1979 Compensation
	Territories Under $5 Million			*Territories Over $40 Million*		
Regional manager	$29,000	+11%	14%	$41,700	+7%	20%
	Territories Under $2 Million			*Territories Over $16 Million*		
District manager	$23,600	+5%	22%	$31,600	+3%	17%

Source: American Management Assns., *Middle Management Report: 1980*
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PACKAGING

Olympic's sunny sales

Olympic Stain, Bellevue, WA, introduced its wood stain and preservative nationally in March with a name—Weather Screen—and package, both developed by Soyster & Ohrenschall, San Francisco, that had clicked in consumer tests. The package shows water beads on wood panels, plus rainbow-colored raindrops, to convey water repellency. Aided by national TV and regional print ads, part of a nearly $5-million annual budget, Weather Screen more than doubled its first-year sales goals in four months.

S&MM MARKETGRAPH

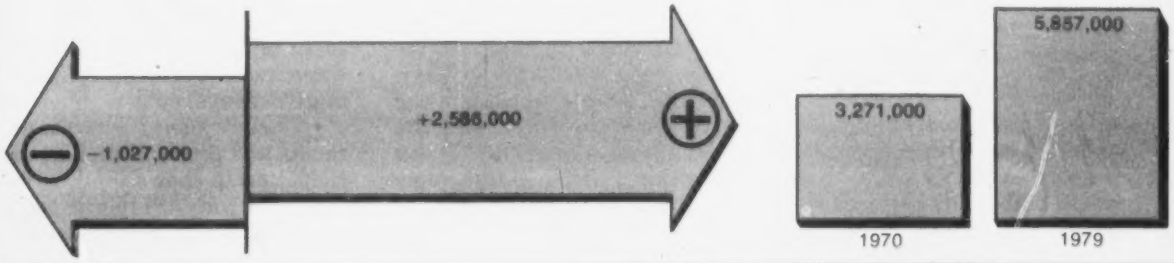
One-parent families: Going it alone creates a new market

Kramer vs. Kramer had it only half right. While the award-winning movie dramatically depicted the daily tensions of the one-parent family, it is the woman who rears her offspring on her own in nine of every ten such families. Significantly, the proportion of such women who opted for children without going the marriage route has more than doubled, from 8.0% in 1970 to 17.1% in 1979, and the comparative ratio for divorcees who head one-parent families has spurted from 32.7% to 42.2%. All of which suggests that the one-parent family, the fastest growing household type in the 1970s, will continue its growth pattern. Marketers of family-oriented products will have to fashion new selling appeals.

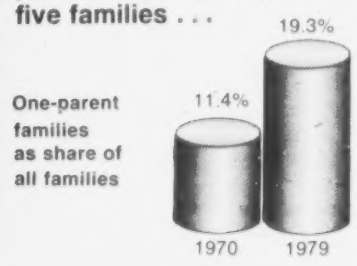
During the 1970s, while two-parent families declined . . .

. . . one-parent families increased dramatically . . .

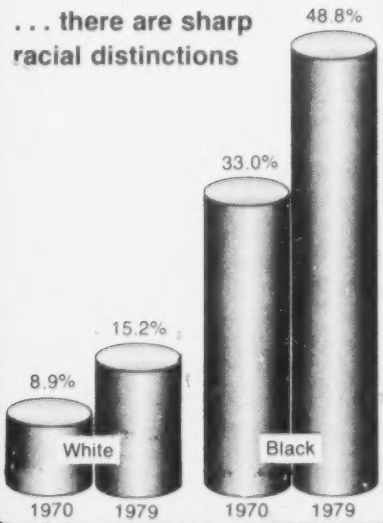
. . . from 3.3 million to almost 6 million



While children are now growing up with only one parent in almost one out of five families . . .

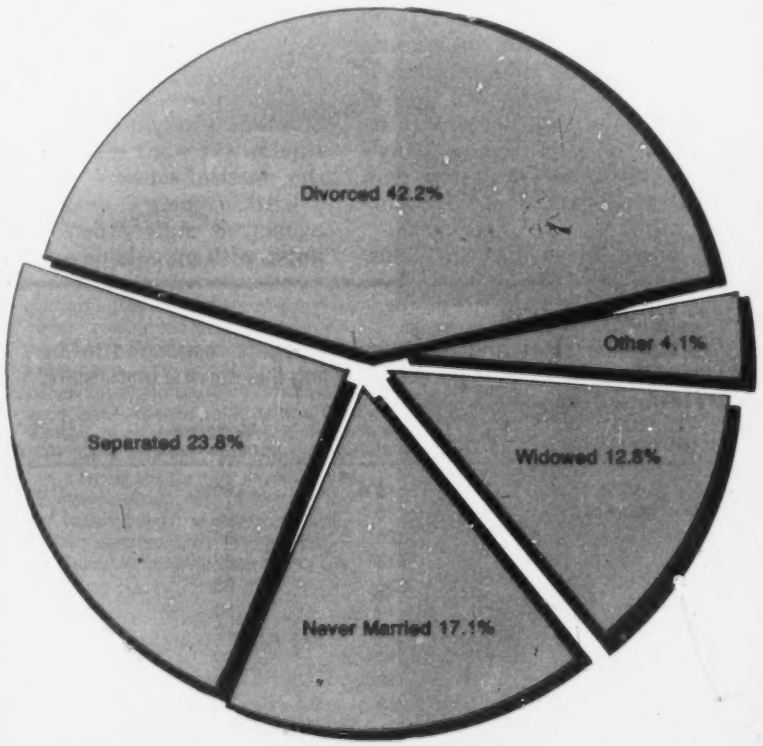


. . . there are sharp racial distinctions



Women head 90% of one-parent families, and two-fifths of them inherited the status through divorce

Marital status of women heading one-parent families



Sources: S&MM calculations; Census Bureau, *Household and Family Characteristics: March 1979*, Series P- 20, No. 352.

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Putting the brakes on fleet costs

Confronted by a persistent rise in the cost of operating sales cars, sales and marketing executives are trying a variety of ways to keep expenses in check, and they're getting more, if grudging, support from their salespeople. These are the main findings of an exclusive S&MM survey, which reveals that sales managers these days generally have little patience with salespeople behind the wheel who don't do their bit to save money. Says one marketer, "If mileage is off, we tune the engine; if mileage remains off, we tune the driver." A sales vice president sums up the situation: "Some of our salespeople are negative thinkers on the subject of holding down fleet costs. They won't be around long."

Nevertheless, the 176 marketers who completed the questionnaire appear to be more confident about the fate of fleet cars than respondents were a year ago. For example, only 4.7% say they intend to reduce the number of cars in their fleets during the next three years, whereas 10.9% indicated that in last year's survey. Also, 34.4% say they intend to increase driving in line with sales growth, up from 26.8% a year earlier. To be sure, 42% of the respondents say they reduced driving "significantly" or "slightly" during the past year, but only 29.8% plan to do so in the year ahead.

Regardless of how much sales executives think they can do to hold down fleet costs, there's little doubt that most of them have good reason for *trying*. Fully 53.5% of the respondents report somewhat reduced margins as a result of rising fleet costs. Moreover, all but one category (maintenance and repair) gets more response than last year to the question "Where have fleet costs risen the most?" Not unexpectedly, gasoline topped the list at 89.2%, followed by initial car prices (61.8%) and lease terms (26.1%).

Among the most popular measures taken to put the brakes on fleet costs: more telephone selling (45.4%). Many respondents indicate that they tend to call their low-volume accounts that have little growth potential. William Riedell, national sales manager for Winsor & Newton, Secaucus, NJ, reports that his company recently installed a WATS line for calling on such accounts. He has also used more direct mail, an approach mentioned by 15.3% of the respondents.

Better time-and-territory management—as shown by

Pontiac's Grand Prix LJ features deluxe trim and a V-6 engine.

Buick's Regal finds its way into more and more fleets.

Highlights of S&MM's 1980 sales-car survey

1. Where have fleet costs risen the most?

	1980	1979
Gasoline	89.2%	84.3%
Initial car prices	61.8	51.6
Lease terms	26.1	22.8
Maintenance and repair	23.2	30.0
Insurance	17.6	13.7
Parking	3.1	0.0
Administration	2.2	1.9

2. How have rising fleet costs affected your bottom line?

Somewhat reduced margins	53.5%
Little change from past years	46.5

3. Which of the following steps have you taken to help cut fleet costs?

Used more telephone selling	45.4%
Scheduled calls in same general areas	39.2
Downsized fleet cars	28.4
Redrawn territories	27.3
Cut down sales call frequencies	19.9
Put off purchases or new leases	19.3
Used more direct mail	15.3
Cut back on car options paid by company	13.6
Limited eligibility for fleet cars	10.2

The Peugeot 505 diesel version outsells the gas model.

4. During the next three years, do you plan to:

	1980	1979
Increase the number of your fleet cars	28.0%	27.0%
Reduce the number of your fleet cars	4.7	10.9
Maintain current levels	67.3	62.0

5. What changes have you made or do you plan to make in using fleet cars?

	Have Done in Past Year		Plan to Make in Coming Year	
	1980	1979	1980	1979
Increase driving in line with sales growth	21.6%	20.0%	34.4%	26.8%
Reduce driving slightly	30.9	19.0	25.2	26.8
Reduce driving significantly	11.1	2.7	4.6	5.9
Stay about the same	36.4	58.1	35.8	40.2

6. What % of your fleet consists of small cars (compacts and subcompacts) . . .

% of Fleet in Small Cars	(% of Respondents) 1980	1979
0%–24%	78.2%	75.7%
25%–49%	11.5	5.7
50%–74%	6.1	11.4
75%–100%	4.2	7.1

. . .and what will be the % three years from now?

% of Fleet in Small Cars	(% of Respondents) 1980	1979
0%–24%	28.6%	34.0%
25%–49%	16.8	13.3
50%–74%	21.7	19.2
75%–100%	32.9	32.5

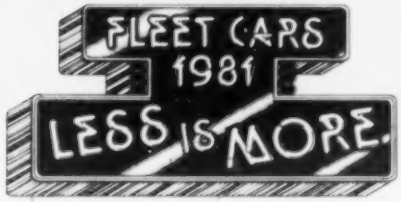
7. What is your sales force's attitude toward small cars?

	1980	1979
Negative	46.6%	65.7%
Neutral	37.4	26.5
Positive	16.0	7.6

8. Are salespeople helping to keep fleet costs down?

They're somewhat cooperative	45.2%
They're very cooperative	40.3
Their response is lukewarm	14.5

Survey results are based on a mailing to 1,000 S&MM subscribers. By the cutoff date, 217 questionnaires were received. Of those who responded, 176 provide sales cars to some of their salespeople or reimburse them for the business use of their personal cars. The results for 1979 are taken from the survey that appeared in S&MM's Oct. 15, 1979 Fleet Car Special Section. The base for those answers is 153. In certain cases totals exceed 100% because some respondents gave multiple answers.



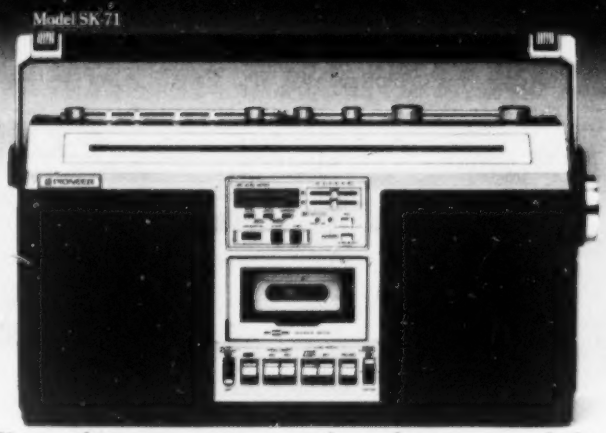
scheduling calls in the same areas (39.2%) and redrawing territories (27.3%)—is also an important method for dealing with fleet costs. Glenn Woodrich, vice president, marketing, for Jos. Dixon Crucible, Jersey City, NJ, says, "Work plans must be improved. Geographic areas must be thoroughly covered, not hopscotched. Courtesy calls are out. Preplanned calls with a purpose are the order of the day."

For other respondents who rely on good time-and-territory management, it is as much a matter of common sense as a response to rising fleet costs. Joseph R. Hurley, manager of administrative services for the Container Div. of Rheem Manufacturing, Linden, NJ, says "Our salespeople are expected to cover their territories in the most efficient and economical manner whether or not we are faced with cost increases in the fleet. This is simply good sales management."

Another 19.9% of the respondents indicate that they have cut down on sales call frequencies and they don't think this will impair the sales effort. A marketing executive for a northeastern food manufacturer notes that his sales force is now expected to schedule trips more carefully to reduce annual mileage. He comments, "This may mean calling on some accounts less often, but it does not mean they they won't serve them properly."

R.H. Cholet, vice president, marketing, for Dermik Laboratories, Ft. Washington, PA, notes that customers accept the cutback in personal visits as

PIONEER.
ELECTRONIC CARROTS.



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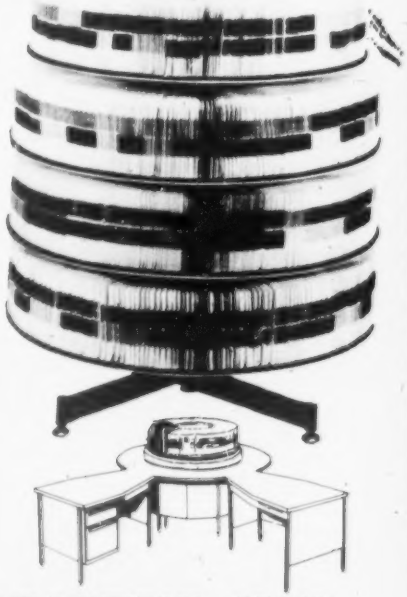

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FLEET CARS 1981 LESS IS MORE

long as they "can conveniently request their needs by telephone or business reply card, are contacted by phone sales personnel, and continue to be personally visited by sales reps even though such visits may be without the previous frequency."

Not surprisingly, another popular way of cutting fleet costs is by downsizing (28.4%). The National Assn. of Fleet Administrators reports in its *1981 New Car Acquisition Survey* that six out of every ten fleet cars ordered in the coming year will be compacts and subcompacts. S&MM's survey generally confirms this finding but shows that the actual percentage of small cars in fleets last

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FLEET CARS 1981
LESS IS MORE

Toyota's sporty Celica Supra is a draw in some sales fleets.

year was hardly overwhelming (Question 6).

Sales and marketing executives have been aided in this effort to downsize by a significant shift in the attitudes of their salespeople. In last year's survey, respondents indicated that their sales forces were overwhelmingly opposed to small cars (65.7%). Only 7.6% had a positive attitude while 26.5% remained neutral. In contrast, less than half of the sales forces this year are judged to have a negative attitude toward small cars (46.6%). Of the rest, 37.4% were neutral and 16.0% had a positive attitude. This change appears to reflect the growing approval of small cars by American consumers in general.

Other approaches to cutting fleet costs include a company that has its own gasoline pumps. "Per gallon it costs less," says the respondent. Another company says it saves on travel costs by flying more. Conversely, another says it saves by driving more instead of flying. (Presumably, one has longer distances to cover than the other.) Al Severino, vice president of sales for Brown Products, Nashua, NH, recommends that his salespeople travel together more often, perhaps once a week. "This will enable them to share experiences *and* cut back on fuel consumption," he says.

Another respondent says that his company puts a greater emphasis on customers visiting its plants. He describes the system as "the most cost-effective, meaningful interface between customers and ourselves."

Other mundane but effective cost-saving measures—often suggested by salespeople—include driving without air conditioning when possible, using self-service pumps, buying gasoline away from main highways, using radial tires, and even driving at the legal speed limit.

Of the respondents, 19.3%

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Meredith Pennington, Marketing Manager - Gifts and Incentives Department

Meredith: First thing you should consider when selecting a business gift is whether it reflects well on you and the image of your organization.

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A.J. Guerra, Sales Manager - Gifts and Incentives Department

Tony: As much as you would like to give everyone something expensive, you have to draw the line somewhere. And your own budget, certainly, usually dictates against extravagance. So, you want to choose a gift that is "affordable" - yet has a high *perceived* value. *Value*, then, is what to look for rather than shopping just for "price."

Meredith: When you're choosing gifts for a varied group (rather than selecting a gift for one person), it's vital to select a gift with general appeal - one that would be appreciated by either a man or a woman. A gift you know can be taken home and shared with the entire family.

Tony: Lastly, reliability, which is one thing gift buyers often overlook. The gift supplier you select should be able to "come through for you"...to deliver the gifts on time, to the right people. You shouldn't have to worry about a thing - from the time you enter the order.

Meredith: In short, your gift should say something nice about you, but at the same time make you feel nice about giving it.

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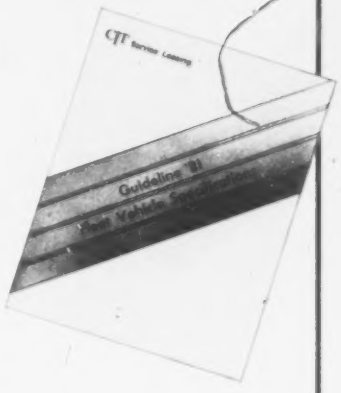

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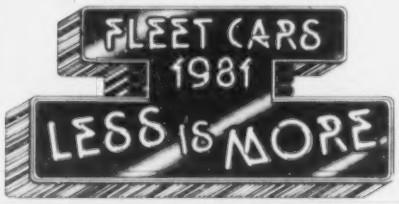

say that they have put off purchases or new leases as a way of cutting costs. Indeed, Michael Marchioni, assistant to the vice president of sales at Stowe Woodward, Newton, MA, reports that his company doesn't supply its salespeople with new cars until the old ones have close to 100,000 miles on them. He explains: "Then the company will be sure its own cars see their maximum usefulness. Salespeople are also forced to take care of their cars with this kind of policy."

But such firmness is not always the case. Many respondents complain that management doesn't emphasize the subject enough with its travelling salespeople. Apparently the approach taken by Ronald L. Samuels, senior vice president of sales and marketing at Herbert Materials, Nashville, TN, is exceptional. He says, "Communication is the key to cooperation in our company. When salesmen are well informed as to the costs of running a sales operation and review with management the actual vs. pro forma expenses, they tend to be more understanding and sympathetic with management."

Air-Shield, Inc., Hatboro, PA, has gone a step further. Jim Myhre, national sales manager, reports that Air-Shield includes field expense performance in its incentive plan for first-line managers. He says, "This is a very effective way of keeping fleet ex-

AN S&MM SPECIAL SECTION

penses—as well as all field expenses—within budget guidelines."

Still, S&MM's survey found some respondents who are staying with large cars. William Bradfield, vice president, marketing and sales, St. Clair Pakwell, Bellwood, IL, notes that "the nature of our product requires a large trunk for samples, catalogues, and files. Compacts or intermediates do not afford the size we really need." Furthermore, he says, "A salesman's car is his office. A salesman should have a quality car that delivers him fresh at our distributor's place of business."

Others have similar feelings and are also concerned about the safety of smaller cars. For example, Tony Clar, director of marketing, Control Chief Corp., Bradford, PA, says, "I personally do not advocate long distance journeys in small cars because of fatigue and increased chances of injury in accidents."

A more crucial problem, however, centers around how salespeople view their cars. Fortunately, few managers are as hard-pressed as the one who observes that, "Nothing has kept fleet costs from rising; our salespeople know that whatever they do will have little impact." Still, one respondent says, "Salespeople consider a large auto as part of their benefits." Another comments, "They consider the car they drive a status symbol." M.J. Gancar, vice president of marketing for Control Components International, Irvine, CA, sums up the problem when he says, "Most salespeople view company cars as a form of compensation—not a sales tool. They are becoming more and more a required 'benefit.' Most companies have yet to make it clear as to their view, which results in a lot of confusion."

Other companies stick with big cars and don't worry about fleet costs. One vice president of marketing explains: "If we can keep rising costs in proportion to sales growth, we will not complain." J.L. Albrecht, vice president of west region sales, Okonite Co., South San Francisco, CA, echoes this comment, saying, "Business is so good and the company is making so much money that, as a percentage of sales, our expenses are not out of line."

In these times, however, not all companies can be so sanguine. It requires prudent sales management to keep fleet costs from sideswiping the company's bottom line. S&MM

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Section A

Data in this *Survey of Buying Power—Part II* have been organized into six sections. The black index tabs along the right-hand edge of the book provide easy access to each section.

How the Survey uncovers opportunities when times turn tough

By THAYER C. TAYLOR
Editorial Director
Survey of Buying Power

Inflation casts a somber uncertainty over marketers' prospects in the 1979–84 forecast period, according to S&MM's *Survey of Buying Power—Part II*. Markets will continue to expand, but buying power in real terms will shrink.

• **Population,** helped along by increased immigration and a mini baby boom as record numbers of women enter prime childbearing ages, will increase 4.7% to 231.9 million, slightly better than the 4.3% increment of the preceding five years.

• **Households,** reflecting the maturing of the last stage of the postwar baby boom and looser living arrangements, will expand a zesty 11.8%, to 87.5 million, topping the earlier stanza's 9.8% rise.

• **Effective Buying Income (EBI)** will surge upward 68.8%, reaching $2.7 trillion by 1984, even improving on the 65.5% gain that occurred between 1974 and 1979.

• As a result, the typical household will pull down $31,225 in 1984, 51.0% more than in 1979, and per capita EBI will rise to $11,780, a whopping 61.3% gain.

However, that's all in current dollars. When you wring expected inflation rates out of the dollars, the picture turns grim. Market Statistics, the Bill Communications subsidiary that prepares the *Survey* data, predicts these inflation rates: 10.7% in 1980, 10.6% in 1981, 9.4% in 1982, 9.4% in 1983, and 9.5% in 1984.

Though these rates are somewhat higher than most economists foresee, considering how economists have notoriously underestimated inflation since the 1973–75 recession, one can make a strong case for Market Statistics' assumptions.

If those assumptions prove accurate, S&MM's calculations indicate that EBI, in 1972 dollars, will grow only 5.2%, from $991.2 billion in 1979 to $1,042.8 billion in 1984. This will be a tremendous drop from 1974–79's 18.5% real gain.

Consequently, the typical household and consumer will be worse off in 1984. Per household EBI, in 1972 dollars, will decline 5.9%, from $12,667 to $11,918, and per capita EBI will slip 1.2%, from $4,473 to $4,419. The per capita slippage will be gentler than the per household dip because households will increase at a faster pace than population and will continue to shrink in size.

This scenario is a disquieting one for marketers. It suggests, as noted in S&MM's Special Report, "Selling With Your Back to the Wall" (June 9), that productivity will continue to lag, savings ratios will be at very low levels, consumer spending will be hitched to

(continued on page 8)